Saskatchewan Government Growth Fund Ltd.

Financial Statements

For the Period Ending December 31, 2000

SASKATCHEWAN GOVERNMENT
GROWTH FUND

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Auditors' Report

To the Shareholders of
Saskatchewan Government Growth Fund Ltd.

We have audited the statement of financial position of Saskatchewan Government Growth Fund Ltd. as at December 31, 2000, and the statement of operations and retained earnings and statement of cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2000 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

February 27, 2001

Deloitte
Touche
Tohmatsu

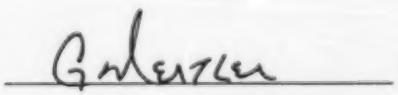
Saskatchewan Government Growth Fund Ltd.

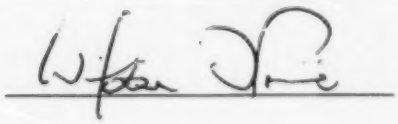
(Incorporated under The Business Corporations Act of Saskatchewan)
Statement of Financial Position
As at December 31

	2000	1999
Assets		
Cash and cash equivalents (Note 3)	$ 744,916	$ 3,874,573
Accounts receivable and accrued interest	22,243	8,389
Note receivable (Note 4)	2,000,000	-
Investments (Note 5)	4,582,194	11,944,685
	$ 7,349,353	$ 15,827,647
Liabilities and Shareholders' Equity		
Accounts payable and accrued liabilities (Note 6)	$ 745,445	$ 680,433
Commissions payable	58,050	78,750
	803,495	759,183
Share capital (Note 7)	31	31
Retained earnings	6,545,827	15,068,433
	6,545,858	15,068,464
	$ 7,349,353	$ 15,827,647

See accompanying notes to financial statements

On behalf of the Board:


Director


Director

Saskatchewan Government Growth Fund Ltd.

Statement of Operations and Retained Earnings
For the Year Ended December 31

	2000	1999
Revenues		
Income from investments	$ 392,650	$ 761,895
Interest from cash and cash equivalents	98,458	121,944
Other income	74,639	91,264
	565,747	975,103
Provision for investment losses	8,182,883	2,850,840
Allowance for unrealized losses	550,634	(20,382)
	8,733,517	2,830,458
Net revenue	(8,167,770)	(1,855,355)
Expenses		
Administration (Note 9)	354,836	(535,155)
	354,836	(535,155)
Net loss	(8,522,606)	(1,320,200)
Retained earnings, beginning of year	15,068,433	16,388,633
Retained earnings, end of year	$ 6,545,827	$ 15,068,433

See accompanying notes to financial statements

Saskatchewan Government Growth Fund Ltd.

Statement of Cash Flows
For the Year Ended December 31

	2000	1999
Cash flows from operating activities		
Net loss	$ (8,522,606)	$ (1,320,200)
Adjustments for:		
Provision for losses on investments	8,182,883	2,850,840
Allowance for unrealized losses	550,634	(20,382)
Net change in non-cash balances related to operations (Note 10)	30,458	(745,310)
Cash flows from operating activities	241,369	764,948
Cash flows from investing activities		
Disbursements on investments	(2,564,973)	(1,215,160)
Repayments from investments	1,193,947	1,388,358
Note receivable form SGGF II Ltd.	(2,000,000)	-
Cash flows from investing activities	(3,371,026)	173,198
Cash flows from financing activities		
Redemption of preferred shares	-	(375,000)
Cash flows from financing activities	-	(375,000)
Net (decrease) increase in cash	(3,129,657)	563,146
Cash and cash equivalents, beginning of year	3,874,573	3,311,427
Cash and cash equivalents, end of year	$ 744,916	$ 3,874,573
Interest paid during the year	$ 32,863	$ 28,820

See accompanying notes to financial statements

Saskatchewan Government Growth Fund Ltd.
Notes to the Financial Statements
December 31, 2000

1. Status of the corporation

Saskatchewan Government Growth Fund Ltd. ("SGGF I") was incorporated in January 1989 under The Business Corporations Act of Saskatchewan and has been accepted as a government administered venture capital fund under the federal government's Immigrant Investor Program. Under this program, SGGF I was established to raise $100,000,000 through three offerings of units, each consisting of 150,000 4% retractable preferred shares at a cost of $1 per share. The marketing of all three offerings was completed on December 31, 1992.

Under the terms of the Confidential Offering Memorandum ("Memorandum"), SGGF I is required to invest in Saskatchewan based businesses which have assets, including associated companies, of less than $35 million.

In 1998 SGGF I redeemed the last of its investors. Accordingly, the terms of the Memorandum no longer apply.

2. Significant accounting policies

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles. The following are considered significant:

Investments

Investments include debt and equity investments in private and public companies. Investments, other than publicly traded shares, are carried at cost. Income from equity investments is recognized when received and income from debt investments is recognized as earned. The fair value of investments in private companies is not determinable and therefore has not been disclosed.

Investments in shares having quoted market values, and which are traded on a recognized exchange, are recorded at the lower of cost and average closing market price for the last 20 business days of the year, on an individual basis. Unrealized losses in the value of investments in publicly traded shares are recorded in the Statement of Operations and Retained Earnings, in the allowance for unrealized losses.

Investments are reviewed on a regular basis. Where impairment is identified, the exposure is compared to the estimated net realizable value of the security and, if appropriate, a provision established. An investment is considered impaired when there is no longer reasonable assurance of the timely collection of the full amount of principal and income. Income is not accrued for accounting purposes on impaired investments.

There is a clearly demonstrated intention to dispose of the investments in due course. Accordingly, investee companies over which SGGF I has significant influence are not consolidated.

3. Cash and cash equivalents

Included in cash and cash equivalents is a Bankers' Acceptance totalling $620,156 (1999 - $1,978,180) that matures February 1, 2001 and carries an interest rate of 5.70%.

4. Note receivable

Included in note receivable is a $2,000,000 note from Saskatchewan Government Growth Fund II Ltd. ("SGGF II") due August 31, 2001 and bearing an interest rate of 10%.

5. Investments

	2000	1999
Debt	$ 5,057,509	$ 3,616,987
Equity	3,789,275	15,288,837
Provision for investment losses	(3,660,342)	(3,923,499)
Allowance for unrealized losses	(604,248)	(3,037,640)
	$ 4,582,194	$ 11,944,685

Included in investments are $8,032,213 (1999 - $12,387,983) of impaired investments, net of accumulated provision for losses of $3,660,342 (1999 - $3,923,499), upon which income is not accrued. During the year $11,430,066 (1999 - $1,149,635) of investments and costs have been written off.

Equity investments include publicly traded shares at a cost of $693,906 (1999 - $3,751,299), with an aggregate market value of $89,658 (1999 - $713,650).

During the year investments decreased as follows:

	2000	1999
Balance, beginning of year	$ 11,944,685	$ 14,948,341
New investments	2,564,973	1,215,160
Repayments	(1,193,947)	(1,388,358)
Investments & costs written off	(11,430,066)	(1,149,635)
Net change in provision for investment losses	263,157	(1,701,205)
Net change in allowance for unrealized losses	2,433,392	20,382
Balance, end of year	$ 4,582,194	$ 11,944,685

6. Accounts payable and accrued liabilities

Included in accrued liabilities is a $625,000 (1999 - $625,000) provision for future fees payable to an investment advisor under the terms of its investment services agreement with SGGF I. This amount is payable to the investment advisor pending resolution of a contingency associated with a divestment. Interest earned on this amount is paid to the investment advisor.

Included in accrued liabilities is a $100,000 (1999 - $nil) provision for future fees payable to the fund manager under the terms of its management services agreement with SGGF I. This amount is based on the performance of certain investments and the retained earnings of SGGF I. It is payable to the fund manager only upon satisfaction of all liabilities of the fund.

7. Share capital

The authorized common share capital of SGGF I as at December 31 is:

Common shares - an unlimited number of voting common shares. Holders of the common shares are entitled to receive dividends.

The issued common share capital at December 31 is:

	2000	1999
900,000,100 common shares	$ 31	$ 31

8. Financial Instruments

SGGF I's primary business is the investment of funds in new and expanding Saskatchewan businesses. This entails exposure to market risk, credit risk, interest rate risk and liquidity risk.

Market Risk

Market risk faced by SGGF I is the risk that the fair value of its investments may decline due to a reduction in the anticipated earnings generated by the businesses in which SGGF I invests. Some of the companies in which SGGF I invests are dependent upon a single product or industry. SGGF I manages these risks through careful due diligence prior to committing funds to the investment and ensuring that the overall portfolio is properly diversified across various industry sectors.

Credit Risk

Credit risk arises from the potential that an investee will fail to perform its obligations. Concentration of credit exposure may arise given that SGGF I restricts its investments to businesses operating in Saskatchewan and therefore all investments are subject to similar economic conditions. The ability of such companies to meet contractual obligations would be similarly affected by changing economic, political or other conditions. SGGF I conducts a thorough due diligence process prior to committing to the investment and actively monitors the financial health of its companies on an on-going basis. In addition, some companies operate in and export to other provinces or international markets thereby mitigating this risk.

Interest Rate Risk

Interest rate risk reflects the risk that SGGF I's earnings will decline due to fluctuations in interest rates. SGGF I manages this risk through careful monitoring and matching the duration of its short-term deposits and investments with its liabilities.

Liquidity Risk

Liquidity risk is the risk that SGGF I will encounter difficulty in liquidating its investments at an amount close to fair value. Since the last of the investors in SGGF I have been redeemed there is no immediate need to liquidate the remaining investments. SGGF I intends to hold these investments until it is able to liquidate them at an amount close to fair value.

Measurement Uncertainty

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may vary from the current estimates. These estimates are reviewed quarterly and, as adjustments become necessary, they are reported in the Statement of Operations and Retained Earnings in the period in which they become known.

Fair Value - Investments

There is no active secondary market for many of the investments in which SGGF I invests, and the uncertainty and potentially broad range of outcomes pertaining to the future cash flows from these investments renders the calculation of a fair value with appropriate reliability impractical. The factors that impact the fair value are described above.

9. Administration

Under the terms of a Management Agreement between SGGF I and Saskatchewan Government Growth Fund Management Corporation ("SGGF Management Corporation"), SGGF Management Corporation administers the assets of SGGF I with the assistance of various investment advisors and, beginning October 1, 2000, a fund manager to perform fund administration and due diligence, monitoring and liquidation of investments. SGGF Management Corporation does not guarantee the financial performance of SGGF I. All services provided to SGGF I are charged on a fee for service basis. The breakdown of costs is as follows:

	2000	1999
Investment advisors	$ -	$ (702,904)
Fund manager fees	88,172	-
Fund manager profit share	100,000	-
Salaries and benefits	80,066	90,964
General administration	27,777	45,180
Directors fees and expenses	11,068	8,298
Legal and professional	47,753	23,307
	$ 354,836	$ (535,155)

Included in investment advisors is a $nil (1999 - $708,700) recovery of future fees payable to various investment advisors under the terms of their respective investment services agreements with SGGF I. These amounts are payable to the investment advisors upon liquidation of their portfolio under management and upon certain performance targets being achieved. In 1999, the investment services agreement with one investment advisor was terminated.

Fund manager profit share is a provision for future fees payable to the fund manager under the terms of its management services agreement with SGGF I. This amount is based on the performance of certain investments and the retained earnings of SGGF I. It is payable to the fund manager only upon satisfaction of all liabilities of the fund.

10. Net change in non-cash balances related to operations

	2000	1999
Accounts receivable and accrued interest	$ (13,854)	$ 40,369
Accounts payable and accrued liabilities	65,012	(785,679)
Commissions payable	(20,700)	-
	$ (30,458)	$ (745,310)

11. Income taxes

Greater than 90% of the issued shares of SGGF I are owned by a provincially owned Crown corporation. Therefore, SGGF I is income tax exempt.

12. Related party transactions

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan government controlled departments, agencies and corporations with which SGGF I is related. Account balances resulting from these transactions are included in the Statement of Financial Position and are settled on normal trade terms.

As stated in Note 4, SGGF I holds a note receivable from SGGF II. Total interest received and receivable from SGGF II during the year was $53,005.

As stated in Note 9, SGGF I is under a Management Agreement with SGGF Management Corporation. Total fees paid or payable to SGGF Management Corporation during the year amounted to $354,836 (1999 - $173,320).

13. Comparative figures

Certain comparative figures have been reclassified to conform to the current years' presentation.